

Online Services in the Age of the Internet: Interactive Services

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Oct 4, 1995

Internet '95

Conventional Wisdom

- ◆ Internet will drive commercial services out of business
- ◆ Consumers are flocking to the Internet
- ◆ Advertisers will follow consumers
- ◆ Consumers will pay for ala carte services
- ◆ Commercial services don't "get it" and are closed and proprietary
- ◆ Everyone will make money on the Web
- ◆ Presumption of victory to Microsoft and Netscape

AOL and Web: Compare and Contrast

America Online

- ◇ It's about consumers...
- ◇ It's about consumers...
- ◇ It's about lower bandwidths..
- ◇ It's about one price billed to consumer...
- ◇ It's about programming...
- ◇ It's about non-intrusive marketing and New Media life forms
- ◇ It's about community...
- ◇ It's about prime time...

The Web

- It's about enterprises...
- It's about IP's...
- It's about corporate high speed networks...
- It's about pay per view ala carte pricing...
- It's about "hunter gatherers" ...
- It's about advertising...
- It's about going "place to place" ...
- It's about day time...

Compare and Contrast...

America Online

- ◊ It's more and more about families and women...
- ◊ It's about packaging...
- ◊ It's about unification/simplification...
- ◊ It's about community more than content...

The Web

- It's mostly about men...
- It's about Netscape "Roll Your Own" ...
- It's about Netscape disintermediation...
- It's about HTML documents...

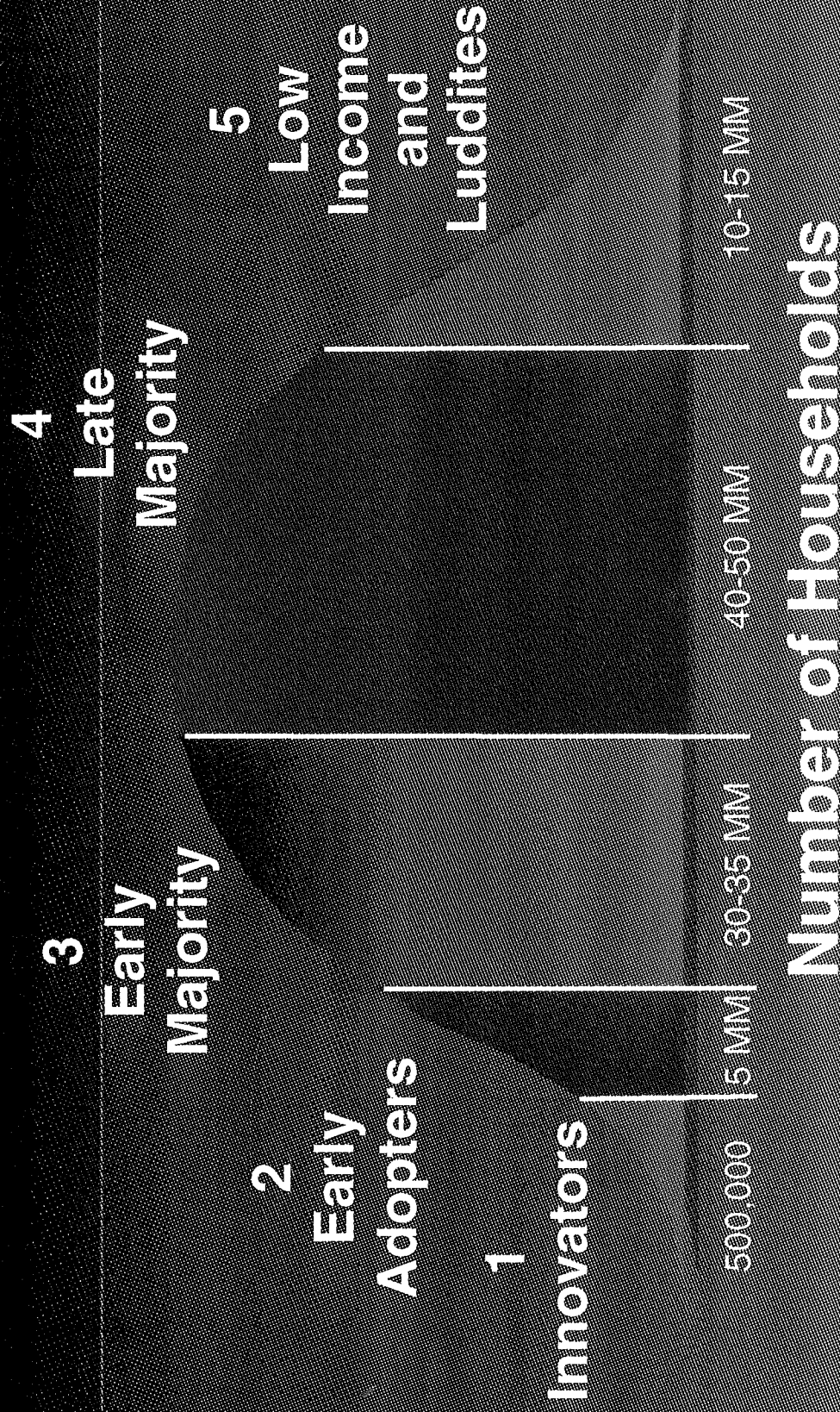
Consumer Factoids

- Online Services market in 1994: \$800 million
- \$2 billion by 1997
- PC's in a third of all US homes
- 50% of PC's now have modems
- 30% of PC's outfitted with CD-ROM
- More PC's shipping into homes than television

AOL Update

- ◇ From less than 1 million members to more than 3.5 million members
- ◇ Q4 revenues will be more than three times those of prior year
- ◇ From \$100 million revenues, to more than \$370 million
- ◇ Approaching \$1 billion in revenues in fiscal 1996
- ◇ From 350 employees to more than 2,500

Five Stages of the Consumer Market



Internet Runs Wild

- ◇ Democratic: By and for the people
- ◇ No one owns it
- ◇ Its exciting and accessible
- ◇ (but we dont have a business model yet)

Internet User Growth

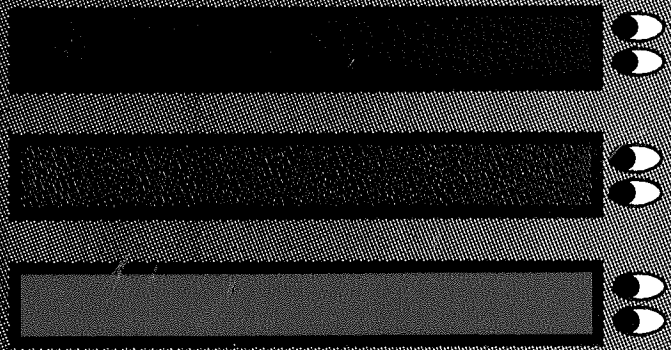
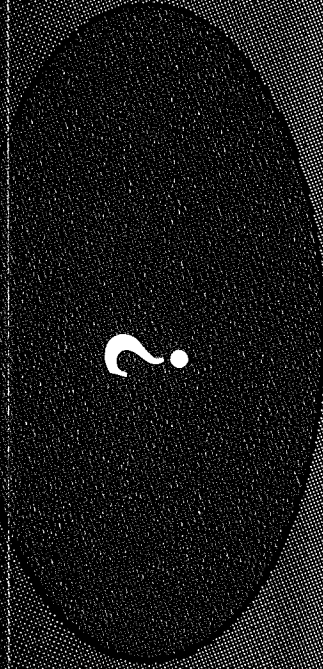
- ◇ Always astounding
- ◇ Jul 95 Hosts 6,642,000 (1M pingable)
- ◇ Domains: 120,000
- ◇ 9M Web users
- ◇ 300k estimated dialup users

ref: <http://nw.com/zone/WWW/report.html>

Internet Evolution on Steroids

- 1990 Messaging (email, netnews)
But we wanted searchable archives...
- 1991 DB Systems (WAIS)
But we wanted browsing...
- 1992 Browsing + DB (Gopher)
But we wanted richer documents...
- 1993 Hypertext + DB (WWW)
But we wanted programmable Interface...
- 1995 Mobile Code (Java?)
But we wanted...

Convergence to What?

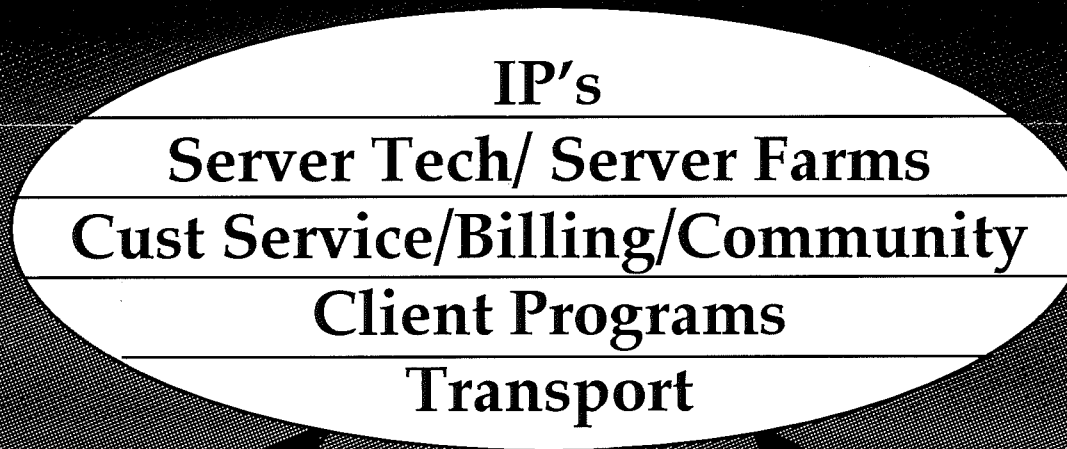


Browsers
Audio Servers
PPP/SLIP
HTML Editors
3D Environments
Mobile Code
Access Providers

Internet

Online Services

Interactive Services



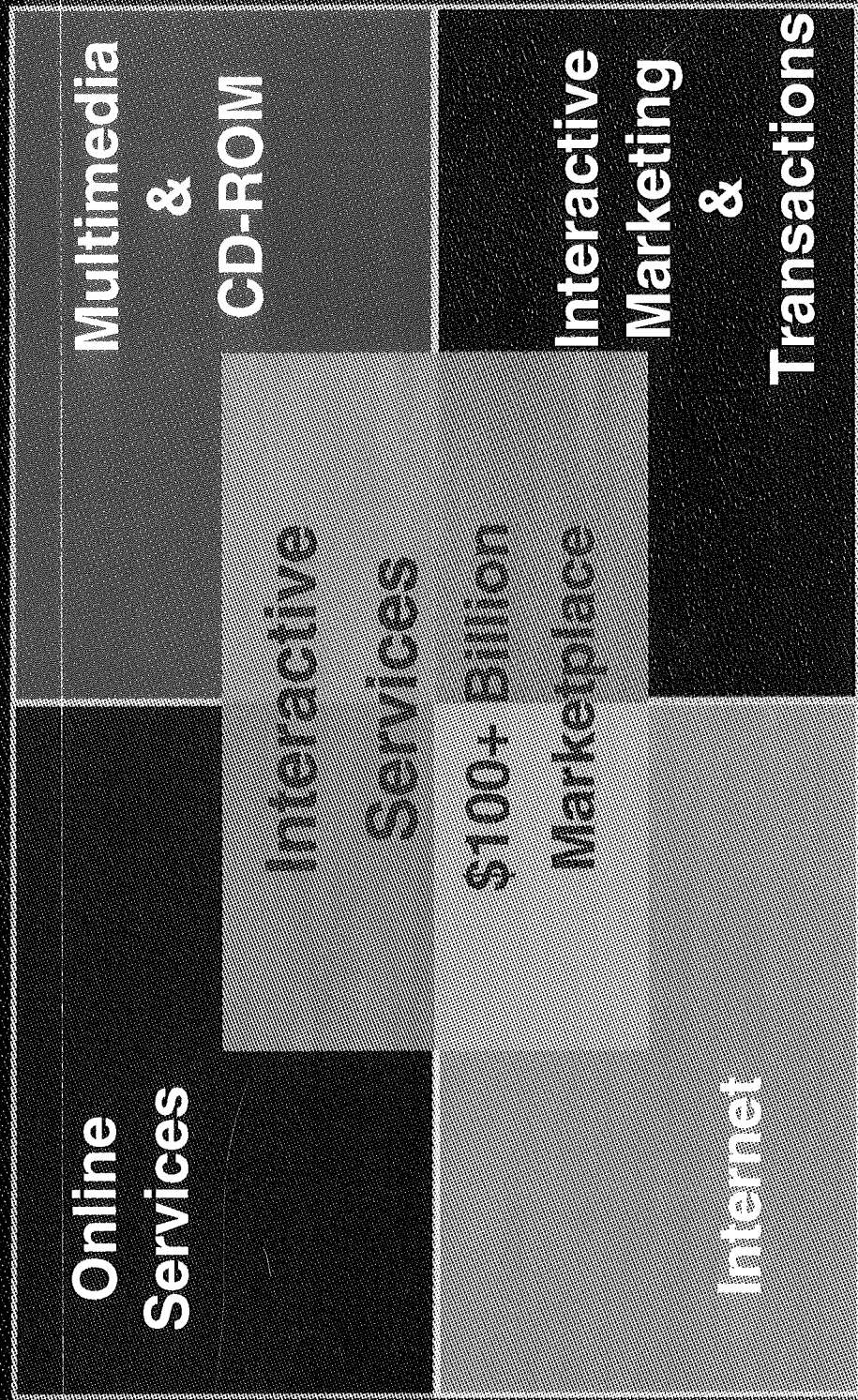
Consumer Focused
Vertically Integrated

Enterprise Focused
Horizontal Industry

Online Services

Internet Technologies

The Opportunity

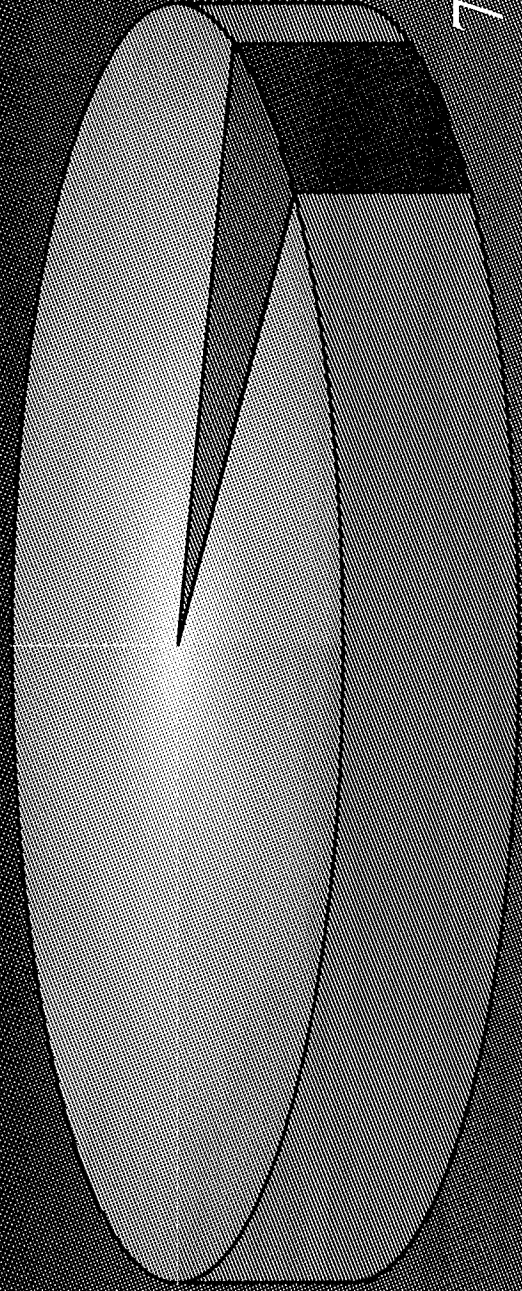


Hurdles to come

- ◇ Learning to work together:
- ◇ Sharing money
- ◇ Interoperating systems
- ◇ Microsoft still wants dominance
- ◇ Achieving an integrated and useful system

Focus is on 93% of House Holds Not Using Online Services

Significant Growth Lies Ahead



CAGR of: 1985-94	7% with Online Services					
	Online Services	Home Video	Daily Newspapers	Magazines	Video Games	Home Shopping
	29%	16%	3%	5%	14%	50%

Internet Focus

- ◊ Useful and usable systems for the workplace
- ◊ Better technologies for Community that are still open (Chat, email, bboards)
- ◊ Standards processes are too slow and painful
- ◊ Build a sustainable business model

Where are we going?

A Interactive Services Industry
that is useful for my mother,
for me, and for my son.